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TAGS: [ETRD](#) [KIPR](#) [ECON](#) [UP](#)
SUBJECT: UKRAINE IPR: ENGAGING LAW ENFORCEMENT ON INTERNET
PIRACY, PETRIVKA MARKET

REFS: A) KYIV 449

B) KYIV 348

SENSITIVE BUT UNCLASSIFIED; NOT FOR INTERNET PUBLICATION.

11. (SBU) Summary: Econ Counselor met on August 1 with leaders of the Ministry of Internal Affairs' (MIA) Economic Crime Department to push for improved IPR enforcement. The MIA officials expressed a firm commitment to protecting IP rights, and described the Ministry's increased enforcement efforts since the beginning of the year. They also described other measures, such as a plan to give more power to the GOU's IPR Coordination Council. Econ Counselor highlighted Petrivka, Ukraine's largest outdoor market for IPR-infringing goods, and internet piracy as areas of particular concern, and pushed for more progress. MIA officials described some successes in both areas, although contending the problem is too large for law enforcement to solve alone. End Summary.

12. (U) Econ Counselor met on August 1 with Serhiy Chernyh, head of the Ministry of Internal Affairs' (MIA) Economic Crime Department, to review Ukraine's IPR enforcement efforts. Also present were Ihor Tyhtylo -- deputy head of the MIA's Economic Crime Department, Yuriy Shafray -- head of the MIA's IPR Division, and Volodymyr Berezan -- deputy head of the Ministry's Kyiv office.

MIA Committed to IPR Enforcement...

13. (U) Chernyh described combating IPR crimes as a priority for the MIA and said that they had significantly stepped up enforcement efforts over the last several years. Indeed, the latest statistics show that 2007 will see continued increases in the number of IPR cases filed and of seizures (ref A). There were 753 IPR-related criminal investigations in the first half of 2007, already 93% of the total from all of 2006 (which in turn were up 68% from 2005). As a result of the 753 investigations, 348 cases went to the courts, 75% of the total 2006 figure (which had been up 235% from 2005). (Note: The number of convictions is not yet available.) The GOU seized 1.02 million pirated discs in the first half of 2007, or 78% of the total for all of 2006. The MIA initiated nearly 4,500 administrative

cases in the first half of 2007, 21% more than during all of 2006.

¶4. (SBU) Econ Counselor praised the GOU for its increased efforts, but expressed concern that the MIA was reportedly reducing its staff devoted to IPR crimes. (Note: We have heard informally from MIA staff that new leadership at the Ministry diverted some resources away from IPR crimes.) Chernyh admitted that there had been some restructuring, with the goal of creating a more "vertical" structure within the IPR Division, but denied that there had been any staff reductions. Tyhtylo noted that the MIA planned to strengthen its staff at the local level through additional IPR training.

...But Arresting Pirates Not the Only Answer

¶5. (U) The MIA officials described the large profit margins involved -- Shafray said that pirated CDs costing \$0.20 to produce sold for about \$2.50 -- as well as strong demand from poorer Ukrainians unable to pay for legitimate copies made combating piracy particularly difficult. They reiterated previous MIA complaints that Ukrainian courts hand down overly lenient sentences, undermining the criminal deterrent (ref A). They noted that over half of those convicted receive probation, while the rest are given fines or community service. Chernyh also emphasized the importance of public outreach, noting the MIA's practice of holding public events to publicize the destruction of seized pirated discs.

¶6. (SBU) Shafray noted that the MIA was pushing for a Cabinet of Ministers Resolution to bolster the IPR Coordination Council (ref A). The expected CabMin Resolution would empower the Coordination Council to task

various Ministries to take certain actions, rather than just coordinate IPR activities. This, for example, could help ensure that licensing (e.g., of outdoor markets) was coordinated with IPR enforcement objectives.

Petrivka Market: Some Progress

¶7. (U) Econ Counselor highlighted Kyiv's Petrivka, Ukraine's largest outdoor market for IPR-infringing material (ref A), as an area of particular concern because it lent the impression that piracy is still tolerated. Shafray said that efforts to combat piracy at Petrivka were ongoing, noting that 175,000 pirated discs (worth approximately \$495,000) had already been seized at Petrivka in 2007. Berezan added that the Kyiv city administration had a separate division to handle IPR violations, and that a special working group was in place to focus on Petrivka. After a dip in the numbers in 2004-2005, said Berezan, the number of criminal cases initiated against Petrivka merchants increased to 84 in 2006, and stood at 76 for the first half of 2007. Twenty three criminal cases had already resulted in convictions, and law enforcement had also initiated 1,020 administrative cases during the first half of the year. Econ Counselor noted that Poland had particular success in pushing market operators to self-police, and encouraged the GOU to explore similar tactics.

Internet Piracy

¶8. (U) Econ Counselor mentioned the recent shutdown of allofmp3.com, the infamous Russian pirate website, and urged the GOU to be vigilant should elements of allofmp3.com seek to relocate to Ukraine. Shafray thanked us for providing information on allofmp3.com, and said the MIA was watching the situation closely.

¶9. (U) Econ Counselor also urged the GOU to tackle its own pirate websites and argued that shutting down mp3.ua, Ukraine's largest site, would send a strong signal that

Ukraine is taking the issue seriously. Shafray described internet piracy as a "burning" concern and said that the MIA had succeeded in closing down 20 pirate sites so far this year. The MIA's preferred method, he said, was to work through Internet Service Providers (ISPs) in shutting down illegal sites. (Note: MIA officials have previously told us that they lack the necessary authority to shut down pirate sites through the courts (ref B).) Econ Counselor responded that, in order to assist MIA efforts, Post would try to relay information from industry regarding which ISPs were hosting pirate sites.

Comment: Slow But Steady Wins the Race?

110. (SBU) Chernyh and team impressed us with their firm commitment to combating IPR-related crime. This meeting was nonetheless a useful opportunity to emphasize the importance of IPR enforcement for the USG, and to push for progress on the more troublesome problems of Petrivka market and internet piracy. The MIA appears to be making some progress on both fronts, although Post will continue to push for a real breakthrough, such as shutting down mp3.ua or permanently closing illegal trade at Petrivka.

TAYLOR